

Al O'Brien, *Strengthening Canada's Territories and Putting Equalization Back on Track*:

as important as fixing the substance of the fiscal arrangements themselves.

The Panel has made four sets of recommendations, each of which bears on an element of our mandate. There are recommendations on the territories (*Chapter 4*), vertical fiscal imbalance

ANNEX A – Reconciling the Irreconcilable

RECOMMENDATIONS

4.1 The Panel recommends that the New Framework for financing territorial governments be replaced by a formula-based financing mechanism based on expenditure need and eligible revenue of each territory, as was the case under previous Territorial Formula Financing.

This new formula should include the following features:

Eligible revenues should be simplified from the previous TFF, eliminating the Tax Effort Adjustment Factor and including only the most significant tax and revenue sources.

The initial GEBs [Gross Expenditure Bases] should be based on the funding levels established for 2006-07. Future GEB adjustments should include those indicated by adequacy review, program transfers, and new obligations stemming from Aboriginal Rights agreements.

Escalators should be linked for each territory to per capita territorial expenditure changes and relative population growth.

Volume growth in eligible revenues should be subject to an appropriate incentive. However, a decline in eligible revenues

negotiated between the two orders of government.

Chapter 7: The Governance of Fiscal Federalism

7.1 The Panel recommends that the federal, provincial, and territorial governments together establish a First Ministers' Fiscal Council (FMFC) as the principal institution in Canada for dealing with intergovernmental fiscal issues.

7.2 The Panel recommends that the federal, provincial, and territorial governments together establish a new body, the Canadian Institute for Fiscal Information (CIFI).

Links:

To the Advisory Panel Reports

http://councilofthefederation.ca/pdfs/Report_Fiscalim_Mar3106.pdf

http://www.conseildelafederation.ca/pdfsfrancais/Rapport_Fiscal_31mars06.pdf

To Co-Chair Robert Gagné's Power Point Presentation at the IIGR Fiscal Federalism Conference September 28-29, 2006

<http://www.iigr.ca/site/iigr/files/gogoPage/CFpresentation.ppt>